

Message Text

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TO AMEMBASSY MOSCOW

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E.O. 11652: GDS

TAGS: EAGR EG

SUBJECT: POSSIBLE GOE RETIREMENT OF SOVIET DEBT

1. EMBASSY BELIEVES THAT SOME DE FACTO EGYPTIAN DEBT
REPAYMENT TO USSR MAY HAVE OCCURRED IN 1974 AND MAY OCCUR
AGAIN IN 1975. IF SO, THIS WILL CONFLICT WITH ASSURANCES
PROVIDED BY GOE TO UNDER SECRETARY ROBINSON THAT THERE
WOULD BE NO REDUCTION OF DEBT TO SOVIETS AT TIME WHEN
EMERGENCY FINANCIAL ASSISTANCE WAS BEING PROVIDED TO EGYPT.
THIS BASED ON STRONG POSSIBILITY THAT VALUE OF EGYPTIAN
EXPORTS TO USSR MAY HAVE EXCEEDED VALUE OF CIVILIAN IMPORTS
SINCE 1973. WE UNDERSTAND THAT, IN 1973, OFFICIAL USSR
DATA SHOWED ALMOST BALANCED TRADE WITH EGYPT. ACCORDING
TO EGYPTIAN COTTON EXPORT DATA VALUE OF SOVIET COTTON
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IMPORTS ROSE FROM LE 50 MILLION (US \$127 MILLION AT OFFICIAL

RATE) IN 1972/73 TO LE 84 MILLION (US \$214 MILLION)
IN 1973/74. (EGYPTIAN "COTTON EXPORT YEAR" EXTENDS FROM
SEPT 1 TO AUG 31, BUT MOST EXPORTS ARE SHIPPED DURING
LAST DESIGNATED YEAR.) UNLESS EGYPTIAN CIVILIAN IMPORTS
FROM USSR ROSE CORRESPONDINGLY OR OTHER EXPORTS FELL,
A NET SURPLUS OF MORE THAN US \$100 MILLION WAS AVAILABLE
FOR CURRENT ARMS PURCHASES OR FOR RETIREMENT OF ACCUMULATED
DEBT. ACCORDING TO OUR UNDERSTANDING, SUCH SURPLUSES
ACCUMULATED UNDER TRADE AGREEMENTS ARE AUTOMATICALLY
CREDITED TO REDUCTION OF CURRENT DEBT.

2. SURPLUSES OF AT LEAST THIS MAGNITUDE MAY BE IN
PROSPECT FOR 1975 AND BEYOND. ACCORDING TO CHAIRMAN
OF EGYPTIAN COTTON BORAD (SEE CAIRO 6640), 90 PERCENT OF 1974/75
COTTON CROP WAS SHIPPED TO COMMUNIST COUNTRIES -- MOSTLY
EASTERN EUROPE -- EARLIER THIS YEAR. EVEN THOUGH
PRICES UNDOUBTEDLY WERE LOWER THAN DURING LAST YEAR'S
SELLERS' MARKET, INCREASED VOLUME COULD HAVE RESULTED
IN ANOTHER EGYPTIAN TRADE SURPLUS WITH THE USSR.

3. IT IS NOW RUMORED IN CAIRO THAT BULK OF 1975/76
COTTON CROP ALSO WILL GO TO EASTERN EUROPE IF FREE
WORLD PRICE SITUATION DOES NOT IMPROVE. SHORTLY,
EXPORTS TO USSR WILL BE FURTHER INFLATED BY 50 PERCENT OF
OUTPUT OF NAJ HAMMADI ALUMINUM COMPLEX. THESE DEVELOPMENTS,
PLUS RUMOR THAT USSR IS ANGLING FOR 50 PERCENT OF ABU TARTUR
PHOSPHATE PUTPUT SUGGEST STRONGLY THAT DEBT RETIREMENT
OR STABLIZATION OVER NEXT SEVERAL YEARS IS
A SERIOUS PROSPECT.

4. DUE TO DEFECTS IN EGYPTIAN TRADE DATA AND TIME
THAT ELAPSES BEFORE THEY APPEAR, WE MAY BE UNABLE TO
DETERMINE WHETHER THIS HAS OR COULD OCCUR ON BASIS OF
INFORMATION AVAILABLE IN CAIRO. WE URGE, THEREFORE,
THAT DEPT KEEP CAREFUL WATCH ON SOVIET TRADE DATA
AVAILABLE IN WASHINGTON. WE UNDERSTAND THAT SOVIET
TRADE HANDBOOK FOR 1974 SHOULD BE AVAILABLE SHORTLY
IF IT HAS NOT ALREADY ARRIVED. WE WOULD APPRECIATE
HAVING 1974 IMPORT AND EXPORT TOTALS FOR
EGYPT FROM HANDBOOK AS WELL AS COMMENT FOR APPROPRIATE
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AGENCIES ON POSSIBILITIES OUTLINED ABOVE.
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